

## Message Text

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44

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 ACDA-05 SAJ-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5492

INFO/ZEN AMCONSUL GENOA

AMCONSUL TURIN

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E.O. 11652: N/A

TAGS: ELAB, EGEN, IT

SUBJECT: EMERGENCY PROPOSALS FOR HARD-HIT INDUSTRIES

REF: (A) ROME 0958, (B) STATE 021284

### SUMMARY

DECREE LA EXPECTED TO BE EFFECTIVE SOON IMPLEMENTS PROPOSAL REPORTED REF. A FOR DIRECT ASSISTANCE TO UNEMPLOYED WORKERS, BUT NO DIRECT EQUITY CONTRIBUTIONS PROPOSED TO COMPANIES IN DIFFICULTY. INNOCENTI-LEYLAND AND SINGER EMPLOYEES WILL PROBABLY BY ONLY ONES TO BENEFIT INITIALLY, BUT NOT TORRINGTON.

1. ON JANUARY 30 THE COUNCIL OF MINISTERS AUTHORIZED THE CREATION OF A 10 BILLION LIRA FUND (THE EQUIVALENT OF \$13.7 MILLION) TO PERMIT GEPI (PARASTATAL BODY DESIGNED TO ASSIST AND FINANCE COMPANIES IN DIFFICULTIES) TO CREATE NEW COMPANIES (OR UTILIZE EXISTING ONES) TO EMPLOY WORKERS LAID OFF BY FIRMS DURING THE CURRENT RECESSION. AUTHORIZATION IS TO BE EFFECTIVE ON DATE  
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OF PUBLICATION OF DECREE LAW IN OFFICIAL GAZETTE, EXPECTED IN

NEXT FEW DAYS. DETAILS ARE AS  
FOLLOWS:

2. THE 10 BILLION LIRE MAY BE USED BY GEPI (A) TO ESTABLISH  
NEW CORPORATIONS, WHICH MAY INCLUDE PARTICIPATION BY STATE  
ENTITIES OR (B) TO FINANCE EXISTING CORPORATIONS OTHER THAN THOSE  
FIRING WORKERS. THE NEW FIRMS WILL REEMPLOY WORKERS (UNDER PROV-  
ISIONS OF CASSA DI INTEGRAZIONE) WHOSE COMPANIES HAVE BEEN  
LIQUIDATED OR WHICH HAVE CEASED PRODUCTIVE ACTIVITIES. ORIGINAL  
EMPLOYING FIRM NEED NOT BE A PARTICIPANT IN NEW VENTURE. THE  
REMUNERATIONS TO BE TAKEN AS A BASIS FOR PAYMENTS TO WORKERS  
WILL BE SALARIES AND OTHER BENEFITS PAID AT THE TIME OF ALY-OFF.

3. SELECTION OF THE COMPANIES WHOSE FORMER EMPLOYEES WILL BENEFIT  
WILL BE MADE BY CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC  
PLANNING) WITHIN 30 DAYS FROM THE EFFECTIVE DATE OF THE DECREE  
LAW. GUIDELINES WHICH CIPE MUST USE TO DETERMINE SELECTION ARE:

A) DIFFICULTY IN FINDING SOLUTIONS, THOUGH SOLUTIONS SHOULD BE  
FEASIBLE;

B) EXCEPTIONAL CIRCUMSTANCES BLOCKING SHORT TERM SOLUTIONS;

C) SIZEABLE UNEMPLOYMENT IN THE COMPANY.

VAGUE PROVISION IS ALSO MADE FOR NEED TO "RESTRUCTURE" AND  
"RECONVERT" PRODUCTION OF LIQUIDATED FIRMS TO AGAIN MAKE  
THEM VIABLE.

4. WORKERS OF COMPANIES LIKE INNOCENTI-LEYLAND AND SINGER  
WHICH HAVE TERMINATED OPERATIONS (AS OPPOSED TO TEMPORARY  
SUSPENSION) WOULD NOT NORMALLY BE ENTITLED TO PAYMENT UNDER PRO-  
VISIONS OF CASSA DI INTRAGAZIONE. HOWEVER, THIS DECREE-LAW  
MAKES AN EXCEPTION AND ALLOWS FOR SUCH PAYMENT.

5. COMMENT

MANY QUESTIONS ARISE ON THE MANNER IN WHICH THE DECREE-LAW  
WILL OPERATE. THE LAW MAY REQUIRE PARLIAMENTARY APPROVAL WITHIN  
60 DAYS AFTER TAKING EFFECT AND NO ONE IS CERTAIN THAT PARLIA-  
MENT WILL BE IN SESSION UP TO THEN, GIVEN THE CURRENT POLITICAL  
CRISIS. IF THE DECREE LAW IS NOT APPROVED BY PARLIAMENT, GEPI  
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WOULD FIND ITSELF IN AN AWKWARD POSITION, FOR IT COULD FIND IT-  
SELF IN POSITION OF HAVING DISBURSED FUNDS AND THEN FINDING  
ITS AUTHORITY TO DO SO REVOKED. ACCORDINGLY, GEPI OFFICERS  
ARE UNDERSTANDABLY RELUCTANT TO IMPLEMENT THE DECREE.

6. THE EMBASSY UNDERSTANDS THAT EMPLOYEES OF INNOCENTI-LEYLAND  
AND SINGER WILL BE THE FIRST TO BENEFIT. IT IS AS YET UN-  
CLEAR WHETHER EMPLOYEES OF OTHER COMPANIES SUCH AS TORRINGTON

COULD BENEFIT, SINCE THE INITIAL AUTHORIZATION OF \$13.7 MILLION DOLLARS WOULD BE INSUFFICIENT TO MEET EXPECTED CASSA DI INTEGRAZIONE PAYMENTS FOR WORKERS OF OTHER COMPANIES WITHOUT INDIVIDUAL PAYMENTS FALLING TO VERY LOW LEVELS. IT DOES NOT APPEAR PRACTICAL TO SPECULATE ON THE MODUS OPERANDI OF THESE PROPOSALS UNTIL THE DECREE-LAW TAKES EFFECT AND THE ISSUE HAS BEEN AIRED BY ALL THE GOVERNMENT MINISTRIES CONCERNED, INCLUDING THE MINISTRIES OF FINACE AND OF STATE PARTICIPATION AS WELL AS THE MINISTRIES THAT HAVE SPONSORED THE PROPOSAL, I.E. THE MINISTRY OF COMMERCE AND INDUSTRY AND THE MINISTRY OF LABOR. IT SEEMS HIGHLY UNLIKELY, HOWEVER, THAT TORRINGTON, AND OTHERS LIKE IT, WILL BENEFIT DIRECTLY FROM THE MEASURES UNLESS, IN TIME, FINANCING IS INCREASED SUBSTANTIALLY TO ENABLE EQUITY CONTRIBUTIONS IN LIQUIDATED COMPANIES OR THOSE IN DIFFICULTY, A PROPOSITION THAT THE PRESENT WORD OF THE PROPOSED ARTICLES COULD ALLOW.VOLPE

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